

## PUBLIC NOTICE OF APPLICATION

Notice of an application will be published, with an opportunity for public comment, in the FEDERAL REGISTER, unless the Bureau finds that notice and opportunity for comment would be impracticable, unnecessary, or contrary to the public interest and publishes its reasons for such decision.

Subject to the Bureau's rules on Disclosure of Records and Information (12 CFR part 1070), all applications made, including any documents and other material submitted in support of the applications, will be made available for public inspection and copying.

## FAVORABLE DETERMINATION

If the Bureau determines on the basis of the information before it that an exemption should be granted, notice of the exemption will be published in the FEDERAL REGISTER, and a copy furnished to the applicant and to each Federal official responsible for administrative enforcement.

The appropriate state official shall inform the Bureau within 30 days of any change in its relevant law or regulations. The official shall file with the Bureau such periodic reports as the Bureau may require.

The Bureau will inform the appropriate state official of any subsequent amendments to the Federal law, regulation, interpretations, or enforcement policies that might require an amendment to state law, regulation, interpretations, or enforcement procedures.

## ADVERSE DETERMINATION

If the Bureau makes an initial determination that an exemption should not be granted, the Bureau will afford the applicant a reasonable opportunity to demonstrate further that an exemption is proper. If the Bureau ultimately finds that an exemption should not be granted, notice of an adverse determination will be published in the FEDERAL REGISTER and a copy furnished to the applicant.

## REVOCATION OF EXEMPTION

The Bureau reserves the right to revoke an exemption if at any time it determines that the standards required for an exemption are not met.

Before taking such action, the Bureau will notify the appropriate state official of its intent, and will afford the official such opportunity as it deems appropriate in the circumstances to demonstrate that revocation is improper. If the Bureau ultimately finds that revocation is proper, notice of the Bureau's intention to revoke such exemption will be published in the FEDERAL REGISTER with a reasonable period of time for interested persons to comment.

Notice of revocation of an exemption will be published in the FEDERAL REGISTER. A

copy of such notice will be furnished to the appropriate state official and to the Federal officials responsible for enforcement. Upon revocation of an exemption, creditors in that state shall then be subject to the requirements of the Federal law.

## APPENDIX C TO PART 1026—ISSUANCE OF OFFICIAL INTERPRETATIONS

## OFFICIAL INTERPRETATIONS

Interpretations of this part issued by officials of the Bureau provide the protection afforded under section 130(f) of the Act. Except in unusual circumstances, such interpretations will not be issued separately but will be incorporated in an official commentary to the regulation which will be amended periodically.

## REQUESTS FOR ISSUANCE OF OFFICIAL INTERPRETATIONS

A request for an official interpretation shall be in writing and addressed to the Assistant Director, Office of Regulations, Division of Research, Markets, and Regulations, Bureau of Consumer Financial Protection, 1700 G Street, NW., Washington, DC 20006. The request shall contain a complete statement of all relevant facts concerning the issue, including copies of all pertinent documents.

## SCOPE OF INTERPRETATIONS

No interpretations will be issued approving creditors' forms, statements, or calculation tools or methods. This restriction does not apply to forms, statements, tools, or methods whose use is required or sanctioned by a government agency.

## APPENDIX D TO PART 1026—MULTIPLE ADVANCE CONSTRUCTION LOANS

Section 1026.17(c)(6) permits creditors to treat multiple advance loans to finance construction of a dwelling that may be permanently financed by the same creditor either as a single transaction or as more than one transaction. If the actual schedule of advances is not known, the following methods may be used to estimate the interest portion of the finance charge and the annual percentage rate and to make disclosures. If the creditor chooses to disclose the construction phase separately, whether interest is payable periodically or at the end of construction, part I may be used. If the creditor chooses to disclose the construction and the permanent financing as one transaction, part II may be used.

# Bur. of Consumer Financial Protection

# Pt. 1026, App. D

## PART I—CONSTRUCTION PERIOD DISCLOSED SEPARATELY

A. If interest is payable only on the amount actually advanced for the time it is outstanding:

1. Estimated interest—Assume that one-half of the commitment amount is outstanding at the contract interest rate for the entire construction period.

2. Estimated annual percentage rate—Assume a single payment loan that matures at the end of the construction period. The finance charge is the sum of the estimated interest and any prepaid finance charge. The amount financed for computation purposes is determined by subtracting any prepaid finance charge from one-half of the commitment amount.

3. Repayment schedule—The number and amounts of any interest payments may be omitted in disclosing the payment schedule under §1026.18(g). The fact that interest payments are required and the timing of such payments shall be disclosed.

4. Amount financed—The amount financed for disclosure purposes is the entire commitment amount less any prepaid finance

charge.

B. If interest is payable on the entire commitment amount without regard to the dates or amounts of actual disbursement:

1. Estimated interest—Assume that the entire commitment amount is outstanding at the contract interest rate for the entire construction period.

2. Estimated annual percentage rate—Assume a single payment loan that matures at the end of the construction period. The finance charge is the sum of the estimated interest and any prepaid finance charge. The amount financed for computation purposes is determined by subtracting any prepaid finance charge from one-half of the commitment amount.

3. Repayment schedule—Interest payments shall be disclosed in making the repayment schedule disclosure under §1026.18(g).

4. Amount financed—The amount financed for disclosure purposes is the entire commitment amount less any prepaid finance charge.

### Example:

Assume a \$50,000 loan commitment at 10.5% interest with a 5-month construction period and a prepaid finance charge of 2 points.

(A)	(B)
Estimated Interest:	
$\$25,000 \times .105 \div 12 \times 5 = \$1,093.75$	$\$50,000 \times .105 \div 12 \times 5 = \$2,187.50$
Estimated APR:	
$\frac{(\$1,093.75 + 1,000) \times 100 \div 5 \times 12}{(25,000 - 1,000)} = 20.94\%$	$\frac{(\$2,187.50 + 1,000) \times 100 \div 5 \times 12}{(25,000 - 1,000)} = 31.88\%$
Disclosures:	
Amount financed \$49,000.00	\$49,000.00
Prepaid finance charge 1,000.00	1,000.00
FINANCE CHARGE (Estimate) 2,093.75	3,187.50
ANNUAL PERCENTAGE RATE (Estimate) 20.94%	31.88%
Repayment: One payment of principal of \$50,000 on 12-12-80. Interest on the amount of credit outstanding will be paid monthly.	4 monthly payments of \$437.50, beginning 8-12-80, and a final payment of \$50,437.50 on 12-12-80.
Total of payments (Estimate) \$51,093.75	\$52,187.50

PART II—CONSTRUCTION AND PERMANENT  
FINANCING DISCLOSED AS ONE TRANSACTION

A. The creditor shall estimate the interest payable during the construction period to be included in the total finance charge as follows:

1. If interest is payable only on the amount actually advanced for the time it is outstanding, assume that one-half of the commitment amount is outstanding at the contract interest rate for the entire construction period.

2. If interest is payable on the entire commitment amount without regard to the dates or amounts of actual disbursements, assume that the entire commitment amount is outstanding at the contract rate for the entire construction period.

B. The creditor shall compute the estimated annual percentage rate as follows:

1. Estimated interest payable during the construction period shall be treated for computation purposes as a prepaid finance charge (although it shall not be treated as a

prepaid finance charge for disclosure purposes).

2. The number of payment shall not include any payments of interest only that are made during the construction period.

3. The first payment period shall consist of one-half of the construction period plus the period between the end of the construction period and the amortization payment.

C. The creditor shall disclose the repayment schedule as follows:

1. For loans under paragraph A.1. of Part II, without reflecting the number or amounts of payments of interest only that are made during the construction period. The fact that interest payments must be made and the timing of such payments shall be disclosed.

2. For loans under paragraph A.2. of Part II, including any payments of interest only that are made during the construction period.

D. The creditor shall disclose the amount financed as the entire commitment amount less any prepaid finance charge.

Example:

Assume a \$50,000 loan commitment at 10.5% interest with a 5-month construction period and a prepaid finance charge of 2 points, followed by 30-year permanent financing at the same rate with monthly amortization payments of \$457.37.

Computation of Estimated APR

	<u>Interest on Amount Advanced</u>	<u>Interest on Entire Commitment</u>
Estimated construction interest:		
$\$25,000 \times .105 \div 12 \times 5$	= \$1,093.75	$\$50,000 \times .105 \div 12 \times 5 = \$2,187.50$
Estimated total finance charge:		
$360 \times \$457.37 = \$164,653.20$		\$164,653.20
Principal <u>- 50,000.00</u>		<u>- 50,000.00</u>
Interest on Permanent Fin. 114,653.20		114,653.20
Construction Interest      + 1,093.75		+ 2,187.50
Points        + <u>1,000.00</u>	\$116,746.95	+ <u>1,000.00</u>
		\$117,840.70

## Bur. of Consumer Financial Protection

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## Estimated amount financed:

Principal	\$ 50,000.00		\$ 50,000.00
Construction Interest	- 1,093.75		- 2,187.50
Points	- 1,000.00	\$ 47,906.25	- 1,000.00
			\$ 46,812.50
Number of payments	360		360
Payment amount	\$ 457.37		\$ 457.37
First payment period (5 + 2) + 1	3 1/2 months	(5 + 2) + 1	3 1/2 months
Estimated APR (Actuarial)	10.75%		11.03%
Estimated APR (Volume I):			
$\frac{11,674,695}{47,906.25} = 243.70 = FC/\$100$		$\frac{11,784,070}{46,812.50} = 251.73 = FC/\$100$	
First period adjustment = 3 mo., 15 days = +5.0		First period adjustment = 3 mo., 15 days = +5.0	
Using 365 payment line, the figure closest to 243.70 is 247.00, which corresponds to an APR of	11%	Using 365 payment line, the figure closest to 251.73 is 253.93, which corresponds to an APR of	11.25%

## Disclosures

Amount financed	\$ 49,000.00	\$ 49,000.00
Prepaid finance charge	1,000.00	1,000.00
FINANCE CHARGE (Estimate)	116,746.95	117,840.70
ANNUAL PERCENTAGE RATE (Estimate)	11%	11.25%
Repayment: Interest on the amount of credit outstanding during the construction period will be paid monthly, followed by 360 monthly payments of \$457.37, beginning 1-12-81.		5 monthly payments of \$437.50 beginning 8-12-80, followed by 360 monthly payments of \$457.37 beginning 1-12-81.
Total of payments (Estimate)	\$165,746.95	\$166,840.70

## APPENDIX E TO PART 1026—RULES FOR CARD ISSUERS THAT BILL ON A TRANSACTION-BY-TRANSACTION BASIS

The following provisions of Subpart B apply if credit cards are issued and the card issuer and the seller are the same or related persons; no finance charge is imposed; consumers are billed in full for each use of the card on a transaction-by-transaction basis, by means of an invoice or other statement reflecting each use of the card; and no cumulative account is maintained which reflects the transactions by each consumer during a period of time, such as a month. The term "related person" refers to, for example, a franchised or licensed seller of a creditor's product or service or a seller who assigns or

sells sales accounts to a creditor or arranges for credit under a plan that allows the consumer to use the credit only in transactions with that seller. A seller is not related to the creditor merely because the seller and the creditor have an agreement authorizing the seller to honor the creditor's credit card.

1. Section 1026.6(a)(5) or § 1026.6(b)(5)(iii).

2. Section 1026.6(a)(2) or § 1026.6(b)(3)(ii)(B), as applicable. The disclosure required by § 1026.6(a)(2) or § 1026.6(b)(3)(ii)(B) shall be limited to those charges that are or may be imposed as a result of the deferral of payment by use of the card, such as late payment or delinquency charges. A tabular format is not required.

3. Section 1026.6(a)(4) or § 1026.6(b)(5)(ii).

4. Section 1026.7(a)(2) or § 1026.7(b)(2), as applicable; § 1026.7(a)(9) or § 1026.7(b)(9), as applicable. Creditors may comply by placing the